DOCUMENT RESUME

ED 417 770 JC 980 163

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TITLE	Stenotype Academy, Report 97-T-2.
INSTITUTION	New York State Office of the Comptroller, Albany.
PUB DATE	1998-04-03
NOTE	9p.
PUB TYPE	Reports - Research (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Audits (Verification); Community Colleges; *Compliance (Legal); *Educational Finance; *Eligibility; *Financial Audits; Financial Services; Financial Support; Student Certification; *Student Financial Aid; Two Year College Students; Two Year Colleges
IDENTIFIERS	New York; New York State Higher Education Services Corp; *Tuition Assistance Program NY

ABSTRACT

This document, from the State of New York's Office of the State Comptroller, contains the results of an audit on the records and procedures used in administering the Tuition Assistance Program (TAP) at Stenotype Academy (Stenotype) for academic years 1993-94 through 1995-96. It states that Stenotype was overpaid $230,478 because school officials incorrectly certified students as eligible for TAP awards. From the statistical sample, 18 awards totaling $17,719 were disallowed. A statistical projection of the audit disallowances to the entire student population resulted in an audit disallowance of $213,192. Sixteen awards outside the sample period were also disallowed for $17,286. It is recommended that the Higher Education Services Corporation (HESC) recover the total amount of $230,478 plus applicable interest from Stenotype. The document provides background information on Stenotype, a two-year, proprietary degree-granting school in Manhattan, and discusses the audit's scope. It provides a table summarizing the disallowances that resulted from the audit, then describes in detail the different disallowance categories. These include students who are not in good academic standing, not properly matriculated, not in full-time attendance, and who have over-certified tuition to HESC. It also discusses refunds not paid to students and provides recommendations for the HESC and State Education Department. (YKH)

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Stenotype Academy

Report 97-T-2

Carmen Maldonado

New York State Office of the Comptroller

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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 3, 1998

Mr. Richard Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Robert J. Maurer
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Stenotype Academy
Report 97-T-2

Dear Mr. Mills and Mr. Maurer:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) at Stenotype Academy (Stenotype) for the 1993-94 through 1995-96 academic years.

Summary Conclusions

According to Section 665(3)(b) of the State Education Law, we determined that Stenotype was overpaid $230,478 because school officials incorrectly certified students as eligible for TAP awards. From our statistical sample, we disallowed 18 awards totaling $17,719. A statistical projection of our audit disallowances to the entire population results in an audit disallowance of $213,192. We also disallowed 16 awards from outside the sample period for $17,286. We determined that Stenotype was, therefore, overpaid a total of $230,478 in TAP awards. We recommend that HESC recover this amount plus applicable interest from Stenotype.

Background

Stenotype is a two-year, proprietary degree-granting school located in Manhattan. Stenotype offers associate degrees and certificates in Court Reporting and Paralegal studies. It offers day and evening classes for all programs.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs. Most of Stenotype's programs qualify eligible students for State TAP awards.

Draft copies of this report were provided to State Education Department (SED), HESC and Stenotype officials for their review and comment. SED and HESC officials agreed with the findings in this report. Stenotype officials disagreed with some of our findings. We have considered their comments, and where appropriate, have revised the audit results in preparing this final report.

Audit Scope

The objective of our financial and compliance audit was to determine whether Stenotype management complied with the State Education Law (Law) and the Commissioner of Education's Rules and Regulations (Regulations) with regard to certifying students as eligible for TAP awards.

According to HESC's records, Stenotype certified 1,465 students for 3,931 TAP awards totaling $4,075,034 during the 1993-94 through 1995-96 academic years. We selected and reviewed a statistical sample of 200 awards totaling $211,248 paid on behalf of 183 students for the three-year period ended June 30, 1996. We also reviewed other awards that came to our attention during the audit. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to calculating the amount of the awards.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of Stenotype that we include within our audit scope. These standards also require that we review and report on Stenotype's internal control system and its compliance with the law and regulations that are relevant to Stenotype's operations and are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and doing our audit of Stenotype, we reviewed management's internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for student financial aid.

Stenotype's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Stenotype's compliance with certain provisions of the Law and the Regulations. Our objective in performing these tests was to obtain reasonable assurance that the TAP awards Stenotype received were for eligible students. Our objective was not to provide an opinion on Stenotype's overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Stenotype was generally in compliance with the provisions referred to in the preceding paragraph, except as noted in the following section of this report.

Audit Disallowance

The following table summarizes the disallowances that resulted from our audit.

Reason for Disallowance	Number of Awards	Amount	
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	14	$15,431	
Student Not Properly Matriculated	1	1,192	
Student Not in Full-Time Attendance	1	787	
Students' Tuition Overcertified to HESC	2	309	
Total Sample Disallowance	18	$17,719	
Projected Amount			$213,192
Disallowances from Outside the Statistical Sample:			
Students Not in Good Academic Standing	16		17,286
Total Audit Disallowances			$230,478

The various types of disallowances are discussed in the following sections of this report. Student names and related information were provided to Stenotype officials separately.

Students Not in Good Academic Standing

Criteria - Section 665 of the Education Law (Law) requires that students be in good academic standing to be eligible to receive TAP awards. Section 145-2.2 of the Regulations states that to maintain good academic standing, a student must (1) maintain satisfactory academic progress toward completion of a program and (2) pursue the program of study in which he or she is enrolled.

To maintain satisfactory academic progress, a student must have accrued at least a certain number of credits and earned at least a certain cumulative grade point average as required in the college's published Satisfactory Academic Progress chart, approved by SED. A student is pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in a predetermined percentage of the minimum full-time course load based on his or her TAP payment level.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. Students can regain good academic standing by making up the deficiency without the benefit of State aid, obtaining a one-time TAP waiver, remaining out of school for at least one calendar year or transferring to another institution.

SED's Memorandum to Chief Executive Officers (CEO) No. 81-12 states that granting a TAP waiver is intended to accommodate only extraordinary or unusual circumstances beyond the control of the otherwise serious and successful student who may have had one "bad term." The school should grant a waiver only when there is a reasonable expectation that the student will meet future TAP eligibility requirements. The institution is required to maintain a complete case record for each waiver granted with a written record of the findings and determinations of each case. The CEO states that it is expected that most students who fail to meet pursuit or progress requirements will not be granted a waiver. It may not be assumed that staying in school is always in the student's best interest. An assessment of the student's financial need, academic situation and special needs must all be part of the process.

Stenotype's TAP waiver policy and procedures allow students to apply for a TAP waiver if their circumstances fall into one of the following categories: student illness; illness in the student's immediate family; emotional or job-related problems; military, incarceration, or other governmental involvement; a generally acceptable record with one poor term; or incorrect choice of major which led to poor grades.

Audit Determination - We identified 14 awards from the statistical sample period and 16 awards from outside the sample period paid on behalf of 23 students who failed to maintain good academic standing, and who were therefore, ineligible for the awards they received. Fifteen students did not accrue enough credits or earn the minimum GPA required on Stenotype's chart of academic progress to maintain TAP eligibility. Three students did not meet the pursuit of program criteria because they did not pass or fail the required number of credit hours for the awards they received. Five students

failed to meet requirements for both the satisfactory academic progress and pursuit of program requirements.

Stenotype officials granted TAP waivers to five of these students to return them to good academic standing. However, we found that these waivers did not conform with SED or Stenotype's guidelines.

Since students who do not meet good academic standing requirements lose prospective TAP eligibility, we have disallowed TAP awards for these students for up to one calendar year.

School Officials' Position - Stenotype officials disagreed with 11 awards disallowed for six students.

Officials objected to three disallowed awards paid to two students, during years prior to our statistical sample period. They stated that these awards were outside the scope of our audit and therefore, we should not be including them in our audit results.

In addition, officials disagreed with six awards paid to three students that were not in good academic standing and we disallowed awards for up to one year. Stenotype officials state that they are being penalized multiple times in these cases because after the initial award is disallowed, these students then meet the good academic standing requirements for the subsequent TAP awards they received. Officials noted that the Regulations state that a student returns to good academic standing after one term.

Stenotype officials also disagreed with two awards disallowed for one student who, they state is eligible because the student did not receive State financial aid for one year. Therefore, the student returned to good academic standing.

Auditors' Comments - We explained to Stenotype officials that it is our practice to disallow ineligible awards at all schools for terms that are not part of the statistical sample period but are within the six-year limitation stated in the TAP Participation Agreement signed by Stenotype officials. Disallowed awards outside the statistical sample years are not included in our statistical projection, but simply added to the projected disallowed amount.

SED and HESC have previously concluded that a disallowed TAP award does not return a student to good academic standing. Since these students did not regain good academic standing in subsequent terms, up to one calendar year, without State aid, they are not eligible for TAP awards for those terms. Further, the section of the Regulations that Stenotype officials cite stating that a student is returned to good academic standing after one term was revised in 1987.

The transcript of the student who Stenotype officials claim stayed out of school for a year, thereby returning to good academic standing, showed that she actually stayed out of school for two trimesters, and then paid her way for a third trimester. However, she did not make up the deficient

number of credits during this term to return her to good academic standing. Therefore, the student did not regain eligibility for TAP.

Student Not Properly Matriculated

Criteria - Section 52.2 of the Regulations states "the admission of a student shall be determined through an orderly process using published criteria which shall be uniformly applied." Meeting this criterion is demonstrated by students meeting the school's admission criteria as published in its catalog. Stenotype's catalog requires that, for admission, a student must have a high school diploma or its equivalent.

Audit Determination - We identified one award from the sample period that was paid to a student who was not properly matriculated. This student did not have a high school diploma.

School Officials' Position - School officials agreed with this disallowance.

Student Not in Full-Time Attendance

Criteria - Section 145-2.1 of the Regulations states, in part, that for a degree-granting school, full-time study is defined as enrollment for at least twelve hours a semester for a semester of fifteen weeks or its equivalent.

Audit Determination - We identified one award paid to a student who did not maintain full-time status. The student received a TAP award for a term during which she was not in attendance.

School Officials' Position - School officials agreed with this disallowance.

Students' Tuition Overcertified to HESC

Criteria - Section 661 of the Law states that a TAP award cannot exceed the tuition charged.

Audit Determination - Two students in our sample withdrew from classes prior to completion of the term and received a refund of a portion of their tuition. However, the TAP awards were calculated based upon the original tuition charge, as reported by Stenotype officials. HESC's staff recalculated these TAP awards based upon the correct tuition amounts and found that Stenotype was overpaid $97 and $212, respectively, for the two TAP awards.

School Officials' Position - Stenotype officials did not provide a written response for one of the students. For the other student they responded that the student was enrolled for 14 credits at the beginning of the semester but that she dropped a course after October 5, 1995. Since the student registered for more than 12 credits and attended two classes of the course she dropped, she should be entitled to the full TAP award.

Auditors' Comments - We agreed that the student is entitled to a TAP award since the student attended two classes. However, Stenotype officials adjusted the tuition charged on the student's account card. Therefore, this lower tuition should have been reported to HESC so that the TAP amount could have been adjusted accordingly.

Other Matter Needing Attention

Refunds Not Paid to Students

Criteria - Section 2205.3 of the Regulations requires that all refunds shall be paid timely to students, but not more than 45 days after crediting the student's account.

Audit Determination - We found five students accounts had credit balances which had existed for periods ranging from 12 months to 2 years. Stenotype officials had not acted to refund these balances to the students.

School Officials' Position - Stenotype officials agreed with our position for these five students.

Recommendations to Higher Education Services Corporation

1. *Recover the $230,478 plus applicable interest from Stenotype Academy for its incorrect TAP certifications.*

2. *Ensure that Stenotype Academy processes refunds to students on a timely basis.*

Recommendation to the State Education Department

Ensure that Stenotype Academy is in compliance with SED regulations as they pertain to good academic standing and to the other issues stated in this report.

Major contributors to this report were David R. Hancox, William Challice, Frank Russo, Kenneth I. Shulman, April Neitlich, Sal D'Amato and Don Collins.

We wish to express our appreciation to the management and staff of Stenotype Academy for their courtesies and cooperation during the audit.

Yours truly,

Carmen Maldonado

Carmen Maldonado
Audit Director

cc: Ivan Londa
Robert L. King